

RESOLUTION OF COSTS QUESTIONED IN AUDIT REPORTS

1. **Purpose:** The purpose of this Handbook 13, Chapter 1 Appendix, is to formalize procedures for processing costs questioned in audit reports.
2. **Responsibility:** Final resolution of costs claimed by a recipient under an AID grant or cooperative agreement and questioned in an audit report, is the responsibility of the grant officer under the authority provided in the "Disputes" and "Allowable Cost" provisions of each grant or cooperative agreement.
3. **Procedures:** Upon receipt of an audit report that questions costs claimed by a recipient, the grant officer shall take the following actions:
 - a. **Administration**
 - (1) Within 2 weeks after receipt of the audit report, formally notify the recipient by letter of the cost questioned. Include a statement to advise the recipient that any nonconcurrence with the questioned costs should be made known to the grant officer promptly. If warranted in the circumstances, invite the recipient to participate in negotiations to arrive at a mutually acceptable settlement of such costs. If no response has been received within 30 days following the initial notification to the recipient of the questioned costs, issue a follow-up letter to the recipient. If no response is received 20 days after the follow-up letter, the grant officer makes a final determination of the disposition of the questioned costs in the audit report, and issues in writing, the appropriate grant officer's decision as authorized in the "Disputes" provisions of the grant or cooperative agreement.
 - (2) If the recipient responds to the grant officer's letter identifying questioned costs to be disallowed but an acceptable settlement is not achieved within a reasonable period of time, the grant officer shall consider negotiations to have reached an impasse. The grant officer shall then issue the appropriate decision as authorized in the "Disputes" provisions of the grant or cooperative agreement.
 - (3) In the event a mutually acceptable settlement is reached, the grant officer shall document the result of the negotiation and issue a decision as authorized in the "Allowable Cost" provision of the grant or cooperative agreement. Reimbursements from the recipient as a result of negotiations shall be submitted directly to the AID Controller.

b. Settlement

Based on the decision reached in (1), (2), or (3) above, the grant officer requests the Controller to issue a bill for collection in accordance with Attachment A. M/FM will provide M/SER/OP/A/SUP with a copy of the bill for collection issued, as well as a copy of the notice of collection or adjustment. USAID Controllers will develop and follow a similar procedure for mission issued grants and cooperative agreements covered by this Handbook.

c. Collection

If a refund check is not received promptly, the Controller informs the recipient and the grant officer that one of the following actions will be initiated:

(1) The amount of the bill for collection will be set-off against future billings.

(2) The amount of the bill for collection will be set-off against future billings under other contracts, grants, or cooperative agreements which the recipient may have with AID.

(3) The amount of the bill for collection will be set-off by contacting other U.S. Government agencies with which the recipient is doing business for offset against the payments of these agencies to the recipient.

d. Documentation

(1) All correspondence with the Controller shall specify the grant or cooperative agreement number, recipient's name, audit report number, and recommendation number, plus the amount of the questioned costs disallowed by the grant officer.

(2) To ensure adequate internal control, all documents pertaining to recipient disallowed costs will be processed through M/SER/OP/A/SUP. The latter office will also maintain a tickler file. USAID Controllers will establish a similar procedure for mission issued grants and cooperative agreements covered by this Handbook.

4. Closing Audit Recommendations: M/SER/OP may request the IG to close the audit recommendations when the grant officer has made a determination per paragraph 3a.(1) to (3) above, and M/FM has issued a bill for collection, if appropriate.

Attachment A to Appendix IF

Date _____

TO: M/FM

FROM: M/SER/OP/A/SUP

SUBJECT: Request for Issuance of Bill for Collection
Request No. _____

Pursuant to the grant officer's final determination letter attached, please issue a Bill for Collection (B/C) to the grantee listed below:

Name of Grantee _____

Address of Grantee _____

Grant or Cooperative Agreement No. _____

Amount due U.S. Government _____

Reason for issuance of B/C _____

Audit Report Reference No. _____

Attachment: Grant officer's final determination letter of _____

M/SER/OP Grant Officer: _____

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